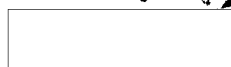


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MITTERRAND'S FRANCE: NEAR-TERM OUTLOOK

Information available as of 21 March 1983 was
used in the preparation of this Estimate.

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THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS.

The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and the Treasury.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

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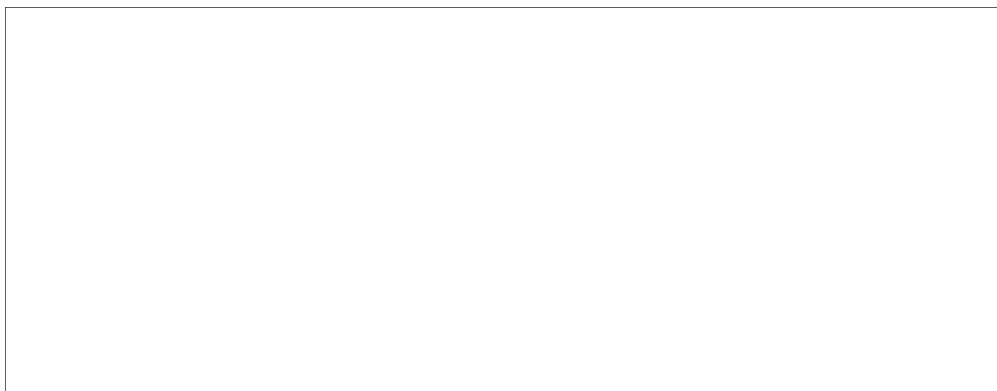
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KEY JUDGMENTS

Municipal elections this month, although contested largely on local issues, have been widely interpreted as a referendum on Francois Mitterrand's 22-month Socialist stewardship of France, particularly his economic austerity program's mixed results and uncertain prospects. The outcome fell well short of the unequivocal rejection of Mitterrand's policies sought by the opposition; but it served as a warning that the Socialists' domination of the French political scene could be reversed if their management of the economy does not measurably improve before the national elections in 1986. Thus, although Mitterrand has been able to sustain a domestic consensus for his foreign and defense policies by skillfully subordinating Socialist concerns to broader and more traditional French interests, it will be France's economic fortunes that ultimately will determine the political viability of the Socialist regime.

Despite waning public confidence in his economic policies, Mitterrand is unlikely to abandon the basic thrust of his Socialist agenda and its major objectives of redistributing economic power and revitalizing French industry under the direction of the state. However, the prospects for continued decline in industrial production and investment, persistence of the external deficit, and high rates of inflation and unemployment leave the government little room to maneuver. We expect the government to take tough measures to reduce consumer purchasing power and control government spending. These should afford the government a measure of success in reducing inflation and lowering the trade deficit. The devaluation of the franc was a necessary but, at best, temporary palliative. Inflation will continue to exceed that of West Germany, and pressure for another realignment within the European Monetary System (EMS) could develop within the year.

On defense matters, the government will continue to give priority to modernizing strategic nuclear forces and will reject attempts to include them in arms control negotiations in the absence of dramatic reductions by the superpowers. Paris also will proceed with plans for deploying by the early 1990s an improved tactical nuclear missile able to reach targets in Eastern Europe from French territory. France's conventional forces, however, are likely to suffer from cutbacks in real growth of the defense budget, and we believe operational readiness and combat ability will be adversely affected.

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In foreign affairs, Mitterrand will seek a limited revival of France's dormant dialogue with Moscow, fearing eventual isolation if US-Soviet relations improve and unwilling to cede to West Germany the role of preeminent interlocutor with the USSR in Europe. Prospects for significant movement in Franco-Soviet relations, however, are limited: for example, differences persist with the Soviets over Afghanistan, Poland, and human rights; and Paris and Moscow will remain at odds over Soviet efforts to take account of French nuclear systems in arms control negotiations. France will, nonetheless, continue to press its economic relations with Moscow and seek to redress its trade imbalance, both because it views the USSR as a potentially lucrative market for agriculture and high-technology exports and because it believes that East-West economic relations can have a moderating effect on Soviet behavior.

Paris will remain committed to participate in the studies on the security implications of East-West trade under way in NATO and other forums in the hope that a Western consensus will help constrain future unilateral US restrictive efforts in this area. However, it will continue to resist the appearance of US or Alliance "direction" of national economic policies, especially if it believes its ability to compete for Eastern markets will be hampered. While willing to apply tighter controls on technology transfer in the Coordinating Committee for East-West Trade Policy (COCOM), Paris will seek to narrow the definition of what is strategically "sensitive."

Mitterrand's concern about the Soviet military buildup could provide impulse and motivation for enlarging the scope of French military cooperation with NATO, although well short of reintegration into its military command structure. The French may believe it is in their interest, for example, to broaden discreet participation in Alliance exercises and to improve bilateral cooperation on security matters with the United States, although preferring in the latter instance to keep sensitive issues within military or intelligence channels. The Gaullist party under Jacques Chirac has been stressing domestically its ties with the United States, and the Socialist government also may believe it is good politics to strengthen its relationship with the United States.

France will continue to be preoccupied by fears that abandonment of NATO's dual-track decision could leave it exposed to Soviet military and political pressures and perhaps eventually even to force it toward an uncomfortably close alignment with Washington. Intermediate-range nuclear force (INF) deployment—and its coupling effect on US and European defense—will remain France's primary concern. The

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French, however, are likely to see a balance of US and Soviet INF at reduced numbers as fulfilling the same objective. They would not, however, support a compromise solution that either envisaged a delay in deployment or the exclusion of Pershing IIs from the missile mix. French anxieties about pacifist trends in Germany have not been entirely allayed by Kohl's victory; Mitterrand's overall approach to Germany will stress the necessity for European unity predicated on the European Community (EC) and on the possibilities, although limited, for enhanced bilateral security cooperation.

In the Third World, Mitterrand believes that his policies serve his domestic economic requirements and complement his stand on East-West issues. He remains firmly wedded to the notion that Soviet gains can be halted or reversed through diplomatic, economic, and occasional military support to "progressive" regimes. Since Mitterrand's election, Socialist rhetoric has given way somewhat to more pragmatic and traditional French motivations, especially in Africa. Despite resentment over what some French officials perceive to be efforts by the United States to expand its influence—and its exports—in Africa at French expense, Mitterrand will be concerned about the potential for Soviet, Cuban, and Libyan meddling there. Thus, Paris will continue to seek discreet cooperation with Washington, notably with regard to Chad, Namibia, and Zaire.

In the Middle East, Paris will seek to maintain its traditional influence in Lebanon and remain firm in its demands for withdrawal of foreign forces. Mitterrand believes that only the United States is in a position to extract concessions from Israel and that French interest in obtaining a general peace settlement would be best served by encouraging President Reagan's initiative. Should that initiative stall, Paris will seek to develop an Arab consensus on an alternative. Elsewhere in the region, the French probably will continue their strong support of Iraq in its war with Iran, despite the uncertainties of recouping its substantial investments in Iraq. Political and economic imperatives will sustain French arms sales, particularly to conservative Persian Gulf governments. Paris will favor continued discreet Western military cooperation in the Indian Ocean, although insisting that it remain outside the NATO context.

Mitterrand's tentative search for a peacemaker role in Central America and reluctance to be identified with US policies there will, at times, complicate US efforts in the region. However, we believe Paris will be content to remain a marginal factor, and we think it unlikely that it will, in the next year or two, launch any dramatic unilateral

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initiatives. Although Paris will probably fulfill its 1981 arms contract with Nicaragua, doubts among some Socialist leaders about the direction of Sandinista policies—and about Nicaragua's willingness to distance itself from the Soviets and Cubans—will make new arms sales unlikely. The French will continue their dialogue with Cuba and urge a lessening of tension between Washington and Havana as essential for peace in the region.

French policy in Asia has also been modified by increasingly pragmatic considerations. Threatened economic retaliation by South Korea has blunted Paris's earlier intention to recognize North Korea. Similarly, veiled warnings by members of the Association of Southeast Asian Nations (ASEAN) that French markets in that area would suffer were Paris to move closer to Hanoi have helped to limit any French-Vietnamese rapprochement. And, although Mitterrand's visit to China this spring will provide a clearer indication of the future direction of French-Chinese relations, economic motives will also predominate here. The French will be particularly anxious to complete agreement on a proposed sale of nuclear power reactors to China.

France will remain a difficult ally, eager to demonstrate it is not sacrificing the Gaullist legacy of "independence" to reliance on American leadership. This will be particularly true in economic affairs. France, for example, will resist efforts it believes are aimed at inhibiting French trade with the East; within the European Community, it will continue to be the most vocal advocate of a more restrictive trade policy, primarily to improve its own deteriorating trade balance; and it is likely to become increasingly assertive in attacking US agricultural export policies in competing third-country markets and may seek EC agreement to restrict certain US agricultural exports to the Community as well. Mitterrand's primary concern, however, will be his fear of Soviet designs in Europe, and his first priority will be the maintenance of European unity and a European security balance—interests that favor a broad convergence of French and US views on East-West security matters. Outside the East-West context, Paris will continue to see both tactical and longer term advantages in close—and closely held—cooperation with Washington in the Middle East and Africa.

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